



Long Term Financial Planning for Long Term Budget Agility/Stability

**2013 WGFOA Spring Conference
Brookfield, WI
April 18, 2013**

Norm Cummings
Director of Administration
Waukesha County, WI
ncummings@waukeshacounty.gov

Forecast Model Development

- **Created a model**
 - Used available tools including financial system, excel spreadsheets, access database
 - Review prior year trends
 - Project forward five years from budget year
 - Allows for what if scenarios

Use of the model

- Model is generated in first quarter after year end at the beginning of budget planning
- Detail used for budget assumptions assisting departments
- Set County over-all tax levy target
- Set Department budget tax levy targets
- Highlights budget actions to make target
 - New revenues
 - Positions changes
 - Benefit changes
- Very high level report for decision making environment

Model Inputs

- Global assumptions are a summary level with greater detail for employee benefits
- Department program over rides can include:
 - Major revenue sources
 - Investment income
 - Capital Projects i.e. new building operating impacts
 - State budget impact
 - Fund Balance Use
 - Capital and Debt Service based on 5 year plans
- Tax levy increase provided at program level

Levels of Data

E/R	Fund Type	Functional Area	DEPART NAME	APPR
Expenditures	ent= Enterprise	GA= General Administration	Airport	CHG= Charges for Serv.
Revenues	gen= General Fund	HHS= Health & Human Ser	Clerk of Courts	FB= Fund Balance
Fund Balance	is= Internal Service	JLE= Justice & Law Enfrmnt	Corporation Counsel	FL= Fines/Licenses
Tax Levy	sr= Special Revenue	ND= Non Departmental	County Board	GEN= General State Aids
		PLE= Parks & Land Use	County Clerk	INTER= Interdepartmental
		PW= Public Works	County Executive	OTH= Other Revenue
			Department of Administration	H= Personnel Costs
			Aging & Disability Resource Cntr	J= Operating
			District Attorney	L= Interdepartmental
			Emergency Preparedness	N= Fixed Assets

Program level

- Budget is adopted and line item database is summarized at program level for summary level expenditures and revenues.

	2011 Actual	2012 Budget	2012 Estimate	2013 Budget	Budget Change
Staffing (FTE)	6.39	6.90	6.90	6.71	(0.19)
General Government	\$0	\$0	\$0	\$0	\$0
Fine/Licenses	\$283,850	\$267,600	\$300,500	\$334,225	\$66,625
Charges for Services	\$39	\$200	\$50	\$50	(\$150)
Interdepartmental	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$33,650	\$50	\$0	\$0	(\$50)
Appr. Fund Balance	\$0	\$0	\$0	\$0	\$0
County Tax Levy	\$411,139	\$403,735	\$403,735	\$318,255	(\$85,480)
Total Revenues	\$728,678	\$671,585	\$704,285	\$652,530	(\$19,055)
Personnel Costs	\$558,808	\$574,024	\$576,505	\$557,110	(\$16,914)
Operating Expenses	\$18,106	\$28,560	\$22,814	\$24,748	(\$3,812)
Interdept. Charges	\$64,652	\$69,001	\$67,501	\$70,672	\$1,671
Fixed Assets	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$641,566	\$671,585	\$666,820	\$652,530	(\$19,055)
Rev. Over (Under) Exp.	\$87,112	\$0	\$37,465	\$0	\$0

Global assumptions determined

- Global assumptions are at summary level with greater detail for employee benefits.

		yr1	yr2	yr3	yr4	y45
Salary	1 HSAL	3.0%	3.0%	3.5%	3.5%	3.5%
Extra Help	2 HEHP	3.0%	3.0%	3.5%	3.5%	3.5%
Over time	3 HOTM	1.5%	1.5%	1.5%	1.5%	1.5%
Health Insurance	4 HHIN	5.0%	7.0%	7.0%	7.0%	7.0%
Retirement	5 HWRS	3.5%	3.5%	3.5%	3.5%	3.5%
Other Benefits	6 HOBN	3.0%	3.0%	3.5%	3.5%	3.5%
Operating	7 JJJJ	2.0%	2.5%	3.0%	3.0%	3.0%
Fixed Assets	9 NNNN	3.0%	3.0%	3.0%	3.0%	3.0%
Shared Rev	11 GGEN	-50.0%	-5.0%	-5.0%	-5.0%	-5.0%
GTA	12 GGTA	-14.0%	-5.0%	-5.0%	-5.0%	-5.0%
Gov Revenue	13 GENG	0.0%	0.0%	0.0%	0.0%	0.0%
Fines & Licenses	14 FLIC	3.0%	3.0%	5.0%	5.0%	5.0%
Charges for Services	15 CHRG	3.0%	3.0%	3.0%	3.0%	3.0%

Department Program over rides

- Major revenue sources
- Investment income
- Capital Project Impacts i.e. new building
- State budget impact
- Fund balance use
- Capital and Debt Service based on 5 year plans
- There are 144 programs, 15 expenditure/revenues, across 5 years

Model Outputs

- A variety of reports are generated- (Word documents linked to excel using queries and pivot tables)
 - Display base budget, projection results, dollar change and percentage change

\$'s in millions	2012 Budget	2013 Fcst	2014 Fcst	2015 Fcst	2016 Fcst	2017 Fcst
Total Expenditures	\$ 284.6	\$ 278.9	\$ 280.1	\$ 285.0	\$ 295.7	\$ 305.1
% change		-2.0%	0.4%	1.8%	3.8%	3.3%
Total Revenues	\$ 284.6	\$ 273.6	\$ 269.5	\$ 269.2	\$ 275.0	\$ 279.5
% change		-3.9%	-1.5%	-0.1%	2.2%	1.6%
GAP	\$ -	\$ (5.3)	\$ (10.6)	\$ (15.8)	\$ (20.7)	\$ (25.6)
Prior Yr Fcst GAP		\$ (9.1)	\$ (14.0)	\$ (19.3)	\$ (23.7)	

- As a budget is balanced, future year forecasted shortfalls will be reduced as identified by the prior year GAP forecast reduction.

Model Outputs

- **Forecasting models are a valuable tool to begin discussing current action plans and how they will impact the future.**
- **Provides the ability to act rather than react.**

Long Term Focus: “It’s the Operating Budget”

- Plan / Implement in “good years” for things you know will happen
 - Employee benefits:
 - Phased out health OPEBs in 1990s
 - Paid off Pension unfunded liability in 1990s
 - Designed pay for performance pay system in 1996 (slowed base increases from old system)
 - Retooled health insurance with deductibles / copays, invested in wellness 2000s
 - Created HSA option, exploring on-site medical clinic for long-term savings/better access for employees

Long Range Planning

PLAN	TYPE OF PLANNING PROCESS	DESCRIPTION OF PROCESS	BUDGET IMPACTS
Strategic Planning	Long range (3 to 10 years) with objectives established for the budget year.	The County Executive's Office coordinates department plans with review by Strategic Planning Steering workgroup.	Allows for the reallocation of resources to pre-determined strategic goals and objectives.
Capital Projects Plan	Five-year plan that includes project listing by plan year.	County Executive submits plan for County Board approval by resolution with possible County Board amendments.	Provides a predictable funding level from year to year to allow for the planning of debt service requirements, operating costs of new facilities, and infrastructure improvements. (Capital Projects and Operational Impacts)
Operating Budget Financial Forecast	Operating five year forecast to facilitate long term financial planning.	DOA Budget Division staff work together with department staff to determine key forecast assumptions to project major revenue sources and expenditures.	Provides for budget fiscal sustainability, planning and direction for future action plans of resource allocation, linked to the County's strategic planning goals.
Technology Projects Review Process	Multi-year (3 years) technology review process.	Department submits projects for review by Technology Review & Steering Committees. Criteria are established to set priorities and make recommendations for funding.	Provides a thorough technology review, considers best practices, and cost/benefit criteria. Ranks projects to meet budget priorities over the three-year planning cycle.

Long Range Funding

PLAN	TYPE OF PLANNING PROCESS	DESCRIPTION OF PROCESS	BUDGET IMPACTS
Building Maintenance	Five-year plan by facility and maintenance activity or project.	The Public Works Department prioritizes department requests for projects along with known required maintenance.	Provides a stable annual level of expenditures to insure continued maintenance of county facilities. (Public Works Section, Five-Year Building Improvement Plan)
Parks Maintenance	Three-year plan to address County grounds, park facilities, parking lots, roadways, and paths.	The Parks and Land Use Department schedule identifies ground maintenance for park facilities projects according to priorities and funding level.	Provides for a stable annual level of expenditures to insure the continued maintenance of county grounds. (Parks, Environment, Education and Land Use Section, Three-Year Maintenance Plan)
Vehicle/Equip. Replacement (Internal service fund)	Multi-year plan to replace most vehicles and contractor type equipment.	A Vehicle Replacement Advisory Committee reviews and approves replacement criteria.	Allows funding of the replacement of vehicles or major equipment items annually at an established base level. This ensures that the condition of the fleet is at an optimal level, which reduces fleet maintenance and costs of service. (Public Works Section, Vehicle & Equipment Replacement Plan)
Sherriff's Jail Equipment Replacement	Five-year plan to replace most jail equipment costing less than \$100,000	The Sherriff's Department submits and updates the replacement plan annually as part of the operating budget.	Allows for funding necessary jail equipment replacements efficiently.

Long Range Funding

PLAN	TYPE OF PLANNING PROCESS	DESCRIPTION OF PROCESS	BUDGET IMPACTS
End User Technology Fund (Internal service fund)	Multi-year plan to replace computers and network infrastructure. Provides for IT support, maintenance, help desk support, web administration, and Records Management.	The DOA Information Systems (Computers) and Records Management (Copiers) maintains computer support, inventories and approves IT equipment replacements and computer support based on criteria reflective of the cost drivers and return on investment.	Allows for the funding of IT equipment replacements, maintenance, service utilization, help desk support, network infrastructure, and web administration annually. Replacement decisions consider changing software technology, economic issues, maintenance costs, and downtime. This is based on IT utilization of IT resources.
Highway Improvements Program - Culvert Replacement - Repaving Plan - Bridge Replacement -Signal/Safety Improvements	Internal ten-year plan to maintain and improve the County trunk highway system that integrates with the five-year Capital Plan.	Public Works staff develops an internal highway improvement program based on Southeastern Wisconsin Regional Planning Commission (SEWRPC)'s Highway Jurisdictional Plan with priorities and criteria. - Replace 1-2 culverts annually. - Resurface approx. 15 to 20 mi. of CTH using pavement mgmt. system with pavement index goal of >70%. - Install new traffic signals.	Long term planning for highway infrastructure needs, which mitigates future on-going maintenance costs, addresses highway safety issues, and extends the life of highways and bridges. Therefore, delays the need for their reconstruction.

Debt Policies Serve the Long Term

Debt Service Ratio

(as a percent of the total operating expenditures)

(Millions)	2011	2012	2013	2014	2015	2016	2017
	Actual	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$196.4	\$196.2	\$196.3	\$202.2	\$208.2	\$214.5	\$220.9
Debt Ser.**	\$14.3	\$14.1	\$14.8	\$14.9	\$15.4	\$15.4	\$15.5
Ratio (%) of Debt to Oper	7.3%	7.2%	7.5%	7.3%	7.4%	7.2%	7.0%

*Excludes proprietary fund operating expenditures.

**Does not include refunding and debt redemption activity.

P & I (from 5-year CIP plan issues) never greater than 10% of operating budget (assume 4% growth)

Capital Policies Serve the Long Term

- **Minimum 20% Levy / Current Asset Funding CIP**
- **Use of State Unrestricted Funds in 1st year of Plan (e.g. state revenue sharing)**
- **10 year or less maximum term**

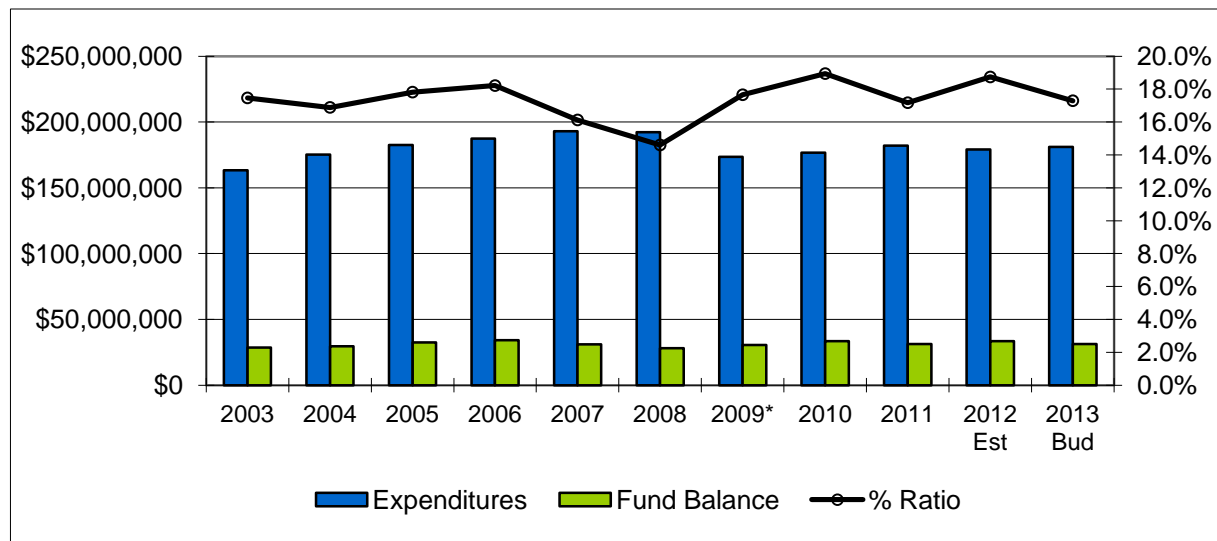
	2013 Budget	2014 5- Year Plan	2015 5- Year Plan	2016 5- Year Plan	2017 5- Year Plan
Capital Plan Project Costs	\$27,870,000	\$20,566,500	\$14,264,480	\$13,450,000	\$13,013,000
<u>Capital Plan Funding</u>					
Project Direct Funding Sources (a)	\$5,349,000	\$4,902,500	\$1,704,000	\$633,000	\$708,400
Investment Income on Cash Balances	\$510,000	\$400,000	\$400,000	\$400,000	\$400,000
Tax levy/Current Funds (b)	\$5,011,000	\$5,264,000	\$2,160,480	\$2,417,000	\$1,904,600
Borrowed Funds	<u>\$17,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
Total Capital Plan Funding	\$27,870,000	\$20,566,500	\$14,264,480	\$13,450,000	\$13,013,000
Length of Bond Issue-Years	10	10	10	10	10
Estimated Interest Rate %	3.00%	4.00%	4.00%	4.00%	4.00%
Planned Bond Issue	\$17,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000

(a) Other funding for projects usually is identified as project year nears the budget appropriation year.

(b) Includes funds from Capital and General Fund Balances.

Long Range Policies Unassigned Fund Balance

- Maintain unassigned fund balance for necessary working capital, provide for emergencies and maintain County's Aaa/AAA ratings
- Cannot be used for continuous operations costs
- Target ratio to expenditures of 15% (eight weeks), but never less than 11%



Communicate with Tax Payers

Impact on Homeowners

The Waukesha County Tax Levy is comprised of two segments. The general County Tax Levy of \$98,798,522, which is levied at a rate of \$2.11 (up from \$2.01) per \$1,000 of equalized value on all eligible property in the County. The Federated Library System Levy of \$2,930,604, which is levied at a rate of nearly \$0.269 (up from \$0.251) per \$1,000 of taxable properties in communities without a library.

Due to the varied assessment ratios of equalized values determined by the State Department of Revenue and property value changes (inflation/deflation), the tax bill impact on a specific property will vary. Waukesha County's median home value for 2012 adjusted from the 2000 census, is \$243,200. This is down \$12,442 from the 2011 value reflecting the County-wide average residential deflation rate of -4.85%. This results in a \$2 decrease in the County Tax Levy on the median home value as indicated below.



General County Tax Levy

2011 Median Home Value	2011 County Tax	Residential Inflation	2012 Median Home Value	2012 County Tax	Change Amount	Change Percent
\$255,600	<u>\$514</u>	-4.85%	\$243,200	<u>\$512</u>	-\$2	-0.4%